

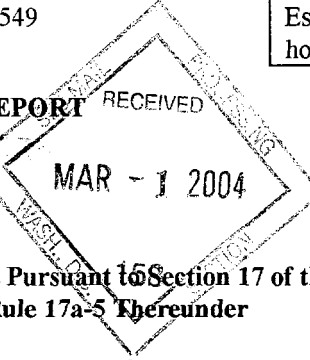
So  
3-22-04



ATES  
NGE COMMISSION  
20549

OMB Number: 3255-0125  
Expires: October 31, 2004  
Estimated average burden  
hours per response . . . 12.00

ANNUAL AUDITED REPORT  
FORM X-17A-5  
PART III  
FACING PAGE



SEC FILE NUMBER  
8-38845

Information Required of Brokers and Dealers Pursuant to Section 17 of the  
Securities Exchange Act of 1934 and Rule 17a-5 Thereunder

REPORT FOR THE PERIOD BEGINNING 1/1/03 AND ENDING 12/31/03  
MM/DD/YY MM/DD/YY

A. REGISTRANT IDENTIFICATION

NAME OF BROKER - DEALER:

TradeStar Investments, Inc

OFFICIAL USE ONLY  
FIRM ID. NO.

ADDRESS OF PRINCIPAL PLACE OF BUSINESS: (Do not use P.O. Box No.)

1900 St. James Place, Suite 120  
(No. and Street)  
Houston Texas 77056  
(City) (State) (Zip Code)

NAME AND TELEPHONE NUMBER OF PERSON TO CONTACT IN REGARD TO THIS REPORT

Ann Colleps (713) 350-3859  
(Area Code - Telephone No.)

B. ACCOUNTANT IDENTIFICATION

INDEPENDENT PUBLIC ACCOUNTANT whose opinion is contained in this Report\*

Deloitte & Touche LLP  
(Name - if individual, state last, first, middle name)  
1700 Market Street Philadelphia Pennsylvania 19103  
(Address) (City) (State) (Zip Code)

CHECK ONE:

- ☒ Certified Public Accountant  
☐ Public Accountant  
☐ Accountant not resident in United States or any of its possessions.

PROCESSED  
MAR 25 2004  
THOMSON  
FINANCIAL

FOR OFFICIAL USE ONLY

\*Claims for exemption from the requirement that the annual report be covered by the opinion of an independent public accountant must be supported by a statement of facts and circumstances relied on as the basis for the exemption. See section 240.17a-5(e)(2).

SEC 1410 (06-02)

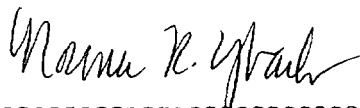
SW

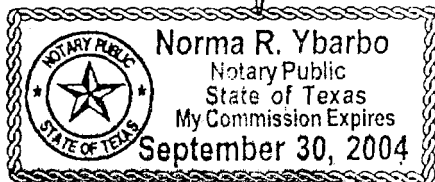
# AFFIRMATION

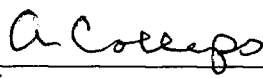
We, Nancy M. Sympson and Elizabeth Ann Colleps, affirm that, to the best of our knowledge and belief, the accompanying financial statements and supplemental schedule pertaining to TradeStar Investments, Inc for the year ended December 31, 2003, are true and correct. We further affirm that neither the Company nor any officer or director has any proprietary interest in any account classified solely as that of a customer.

 2-24-04  
Signature Date

Nancy M. Sympson  
Chief Executive Officer





 2-24-04  
Signature Date

Elizabeth Ann Colleps  
Controller

***TradeStar Investments, Inc.***  
***(An Indirect Wholly Owned***  
***Subsidiary of Fiserv, Inc.)***

*Statement of Financial Condition as of December 31, 2003 and  
Independent Auditors' Report, and Supplemental Report on  
Internal Control*

Filed in accordance with Rule 17a-5(e)(3) under the Securities  
Exchange Act of 1934 as a PUBLIC document.

## INDEPENDENT AUDITORS' REPORT

To the Stockholder and Board of Directors of  
TradeStar Investments, Inc.:

We have audited the accompanying statement of financial condition of TradeStar Investments, Inc. (an indirect wholly owned subsidiary of Fiserv, Inc.) (the "Company") as of December 31, 2003, that you are filing pursuant to Rule 17a-5 under the Securities Exchange Act of 1934. This statement of financial condition is the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the statement of financial condition is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the statement of financial condition. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall statement of financial condition presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, such financial statement presents fairly, in all material respects, the financial position of TradeStar Investments, Inc., at December 31, 2003, in conformity with accounting principles generally accepted in the United States of America.

*Deloitte & Touche LLP*

February 18, 2004

**TRADESTAR INVESTMENTS, INC.**  
**(An Indirect Wholly Owned Subsidiary of Fiserv, Inc.)**

**STATEMENT OF FINANCIAL CONDITION**  
**DECEMBER 31, 2003**

---

**ASSETS**

ASSETS:

Cash and cash equivalents	\$5,352,328
Receivable from affiliates, including clearing broker	809,090
Furniture, equipment, and leasehold improvements—at cost, net of accumulated depreciation and amortization of \$1,713,683	255,367
Goodwill	2,570,903
Other assets	<u>296,692</u>

**TOTAL ASSETS** **\$9,284,380**

**LIABILITY AND STOCKHOLDER'S EQUITY**

LIABILITY:

Accounts payable and accrued expenses	<u>\$1,437,279</u>
---------------------------------------	--------------------

STOCKHOLDER'S EQUITY:

Common stock, par value \$.10—500,000 shares authorized; 5,500 shares outstanding	550
Additional paid-in capital	6,365,365
Retained earnings	<u>1,481,186</u>

Total stockholder's equity 7,847,101

**TOTAL LIABILITY AND STOCKHOLDER'S EQUITY** **\$9,284,380**

See notes to statement of financial condition.

**TRADESTAR INVESTMENTS, INC.**  
**(An Indirect Wholly Owned Subsidiary of Fiserv, Inc.)**

**NOTES TO STATEMENT OF FINANCIAL CONDITION**  
**YEAR ENDED DECEMBER 31, 2003**

---

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**General and Basis of Presentation**—TradeStar Investments, Inc. (“TradeStar” or the “Company”) is a wholly owned subsidiary of BHC Investments, Inc., which is a wholly owned subsidiary of Fiserv Clearing, Inc. (the “Parent”), which is a wholly owned subsidiary of Fiserv, Inc. (“Fiserv”).

TradeStar provides retail brokerage services through two primary distribution channels: (1) electronic commerce including the Internet and telephone trading, and (2) access to registered representatives via a national trading desk and regional branch offices throughout the United States. TradeStar is a registered securities broker-dealer and is a member of the National Association of Securities Dealers, Inc.

**Securities Transactions**—Securities transactions and the related commissions, execution and clearing fees are recorded on a trade-date basis.

**Income Taxes**—TradeStar files separate state income tax returns and is included in the consolidated federal and unitary state income tax returns filed by Fiserv. The policy of the consolidated group is to allocate its consolidated tax provision or benefit, if any, to the members of the consolidated group based upon their respective contributions to consolidated taxable income for financial reporting purposes.

Deferred income tax assets and liabilities arise from “temporary differences” between the tax basis of an asset or liability and its reported amount in the statement of financial condition. Deferred tax balances are determined by applying the currently enacted tax rate to future years for differences between the financial statement carrying amount and the tax basis of existing assets and liabilities.

**Fair Value of Financial Instruments**—The carrying amounts of TradeStar’s cash, cash equivalents, receivable from affiliates, including clearing broker, and accounts payable and accrued expenses approximate their fair values due to their short-term nature.

**Estimates**—The preparation of the statement of financial condition in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the statement of financial condition. Actual results could differ from those estimates.

**Goodwill**—The excess of the purchase price over the estimated fair value of tangible and identifiable intangible assets is recorded as goodwill. There were no additions to goodwill during 2003. The Company completed impairment tests and determined that no impairment exists at December 31, 2003.

**Furniture, Equipment, and Leasehold Improvements**—Furniture, equipment, and leasehold improvements are carried at cost, net of depreciation and amortization. Depreciation of furniture and equipment is provided on a straight-line basis over the estimated useful lives of the assets, principally five years. Leasehold improvements are amortized over the lesser of the economic useful life of the improvement or the term of the lease. Computer hardware and software are depreciated over the estimated useful lives of the assets, principally three years.

**Cash and Cash Equivalents**—TradeStar considers all highly liquid debt instruments purchased with a maturity of three months or less to be cash equivalents.

**Impairment of Long-Lived Assets**—Management evaluates the carrying amount of long-lived assets and intangible assets with definite useful lives for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Measurement of an impaired loss for long-lived assets and intangibles would be based on the fair value of the asset. For the year ended December 31, 2003, the Company did not recognize an impairment loss based on this evaluation.

**New Accounting Pronouncements**—In April 2003, the FASB issued SFAS No. 149, *Amendment of Statement 133 on Derivative Instruments and Hedging Activities*. This statement amends and clarifies accounting for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities under SFAS No. 133. This statement is effective for contracts entered into or modified after June 30, 2003, except for the provision of this statement that relate to SFAS 133 Implementation Issues that have been effective for fiscal quarters that began prior to June 15, 2003 and for hedging relationships designated after June 30, 2003. All provisions are to be applied prospectively except for the provision of this statement that relate to SFAS 133 Implementation Issues that have been effective for fiscal quarters that began prior to June 15, 2003. These provisions are to be applied in accordance with their respective effective dates. The adoption of SFAS No. 149 did not have an impact on the Company's financial condition.

In May 2003, the FASB issued SFAS No. 150, *Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity*. SFAS No. 150 establishes standards for how an issuer measures certain financial instruments with characteristics of both liabilities and equity and classifies them in its statement of financial position. It requires that an issuer classify a financial instrument that is within its scope as a liability (or an asset in some circumstances) when that financial instrument embodies an obligation of the issuer. This Statement is effective for financial instruments entered into or modified after May 31, 2003, and generally was effective at the beginning of the first interim period beginning after June 15, 2003. Currently, the Company had no financial instruments entered into or modified after May 31, 2003 that require application of this Statement. The adoption of this Statement has not had an impact on the Company's financial condition.

In January 2003, the FASB issued FIN No. 46, *Consolidation of Variable Interest Entities*. The Interpretation clarifies the application of Accounting Research Bulletin No. 51, *Consolidated Financial Statements*, to certain entities in which equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. The FASB has published a revision to Interpretation 46 (FIN 46R) to clarify some of the provisions of FASB Interpretation No. 46, *Consolidation of Variable Interest Entities*, and to exempt certain entities from its requirements. The Company is not a party to any variable interest entities covered by the Interpretation.

## 2. FURNITURE, EQUIPMENT, AND LEASEHOLD IMPROVEMENTS

At December 31, 2003, furniture, equipment, and leasehold improvements were as follows:

Furniture and equipment	\$ 564,271
Computer hardware and software	996,778
Leasehold improvements	<u>408,001</u>
Total	1,969,050
Accumulated depreciation and amortization	<u>(1,713,683)</u>
Furniture, equipment, and leasehold improvements—net	<u>\$ 255,367</u>

Depreciation and amortization expense for 2003 was allocated to an affiliate company.

## 3. INCOME TAXES

Aggregate deferred tax assets amounted to \$161,547 at December 31, 2003. The approximate tax effect of the temporary difference that gives rise to the deferred tax balance at December 31, 2003 consists primarily of accrued expenses, employee benefits, and fixed assets. Based on estimate of future taxable income, the Company believes its more likely than not that such net deferred tax asset will be realized. Accordingly, no valuation allowance has been provided related to these assets.

## 4. COMMITMENTS AND CONTINGENCIES

**Lease Commitments**—TradeStar leases its office space and certain equipment and leases have provisions for escalation. Future minimum lease commitments under noncancelable operating leases are as follows at December 31, 2003:

Year Ending December 31	
2004	\$ 687,303
2005	543,748
2006	132,624
2007	<u>52,596</u>
	<u>\$1,416,271</u>

Rent expense for operating leases is allocated to an affiliate.

## 5. NET CAPITAL REQUIREMENTS

TradeStar is subject to the Uniform Net Capital Rule under the Securities Exchange Act of 1934 (Rule 15c3-1), which requires the maintenance of minimum net capital and requires that the ratio of aggregate indebtedness to net capital, both as defined, shall not exceed 15 to 1. At December 31, 2003, TradeStar had net capital of \$3,932,331, which was \$3,682,331 in excess of required net capital of \$250,000. TradeStar's aggregate indebtedness to net capital ratio was 0.37 to 1.



## **6. SEC RULE 15c3-3 EXEMPTION**

TradeStar is exempt from the provisions of Rule 15c3-3 under the Securities Exchange Act of 1934 pursuant to Paragraph (k)(2)(ii). As an introducing broker, TradeStar clears customer transactions on a fully disclosed basis with its affiliate, Fiserv Securities, Inc. ("FSI"), and promptly transmits all customer funds and securities to FSI. FSI carries all of the accounts of such customers and maintains and preserves such books and records.

## **7. RELATED PARTY TRANSACTIONS**

TradeStar assigned to Fiserv Investor Services, Inc., an affiliate, its contracts with various banks and broker-dealers to provide brokerage services. To facilitate the operations of this affiliate, TradeStar provides the use of office space and fixed assets.

Additionally, clearance, execution, and ancillary services are provided to TradeStar under an agreement with FSI.

Receivable from affiliates includes commissions due from FSI of \$98,204 and operating expenses due from Fiserv Investor Services, Inc. of \$475,520.

## **8. EMPLOYEE BENEFIT PLANS**

Fiserv sponsors a 401(k) savings plan covering full-time employees of TradeStar and its affiliates who are at least 21 years of age. After an employee has attained one year of service, TradeStar matches a portion of the employee's contributions, which vest after five years of continued employment. TradeStar also makes discretionary contributions based upon the attainment of certain profit goals.

## **9. CREDIT RISK**

The Company's clearing and execution agreement provides that FSI's credit losses relating to unsecured margin account receivables of TradeStar's customers are charged back to the Company.

In accordance with industry practice, FSI records customer transactions on a settlement-date basis, which is generally three business days after trade date. FSI is therefore exposed to risk of loss on these transactions in the event of the customer's inability to meet the terms of its contracts, in which case FSI may have to purchase or sell the underlying financial instruments at prevailing market prices in order to satisfy its customer-related obligations. Any loss incurred by FSI is charged back to the Company.

The Company, in conjunction with FSI, controls off-balance-sheet risk by monitoring the market value and marking securities to market on a daily basis and by requiring adjustments of collateral levels. FSI establishes margin requirements and overall credit limits for such activities, and monitors compliance with the applicable limits and industry regulations on a daily basis.

## **10. LITIGATION**

In the normal course of business, TradeStar is subject to litigation. Although the ultimate outcome of potential and current litigation cannot be predicted with certainty, TradeStar's management does not expect that such litigation will have a material adverse effect on TradeStar's financial position or liquidity.

\* \* \* \* \*

February 18, 2004

TradeStar Investments, Inc.  
1900 St. James Place  
Suite 120  
Houston, Texas

In planning and performing our audit of the financial statements and supplemental schedule of TradeStar Investments, Inc. (the "Company") for the year ended December 31, 2003 (on which we issued our report dated February 18, 2004), we considered its internal control, including control activities for safeguarding securities, in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on the Company's internal control.

Also, as required by Rule 17a-5(g)(1) under the Securities Exchange Commission, we have made a study of the practices and procedures followed by the Company including tests of compliance with such practices and procedures that we considered relevant to the objectives stated in Rule 17a-5(g) in making the periodic computations of aggregate indebtedness and net capital under Rule 17a-3(a)(11) and for determining compliance with the exemptive provisions of Rule 15c3-3. Because the Company does not carry securities accounts for customers or perform custodial functions relating to customer securities, we did not review the practices and procedures followed by the Company in making the quarterly securities examinations, counts, verifications, and comparisons, and the recordation of differences required by Rule 17a-13 or in complying with the requirements for prompt payment for securities under Section 8 of Regulation T of the Board of Governors of the Federal Reserve System.

The management of the Company is responsible for establishing and maintaining internal control and the practices and procedures referred to in the preceding paragraph. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of controls and of the practices and procedures referred to in the preceding paragraph and to assess whether those practices and procedures can be expected to achieve the Securities Exchange Commission's (the Commission) above-mentioned objectives. Two of the objectives of internal control and the practices and procedures are to provide management with reasonable but not absolute assurance that assets for which the Company has responsibility are safeguarded against loss from unauthorized use or disposition and that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. Rule 17a-5(g) lists additional objectives of the practices and procedures listed in the preceding paragraph.

Because of inherent limitations in internal control or the practices and procedures referred to above, misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal control or of such practices and procedures to future periods are subject to the risk that they may become inadequate because of changes in conditions or that the degree of compliance with the practices or procedures may deteriorate.

Our consideration of the Company's internal control would not necessarily disclose all matters in the Company's internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the consolidated financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. However, we noted no matters involving the Company's internal control, including control activities for safeguarding securities, that we consider to be material weaknesses as defined above.

We understand that practices and procedures that accomplish the objectives referred to in the second paragraph of this report are considered by the Commission to be adequate for its purposes in accordance with the Securities Exchange Act of 1934 and related regulations, and that practices and procedures that do not accomplish such objectives in all material respects indicate a material inadequacy for such purposes. Based on this understanding and on our study, we believe that the Company's practices and procedures were adequate at December 31, 2003, to meet the Commission's objectives.

This report is intended solely for the information and use of the board of directors, management, the Securities Exchange Commission, the National Association of Securities Dealers, Inc., and other regulatory agencies that rely on Rule 17a-5(g) under the Securities Exchange Act of 1934 in their regulation of registered brokers and dealers, and is not intended to be and should not be used by anyone other than these specified parties.

Yours truly,

*Deloitte + Touche LLP*